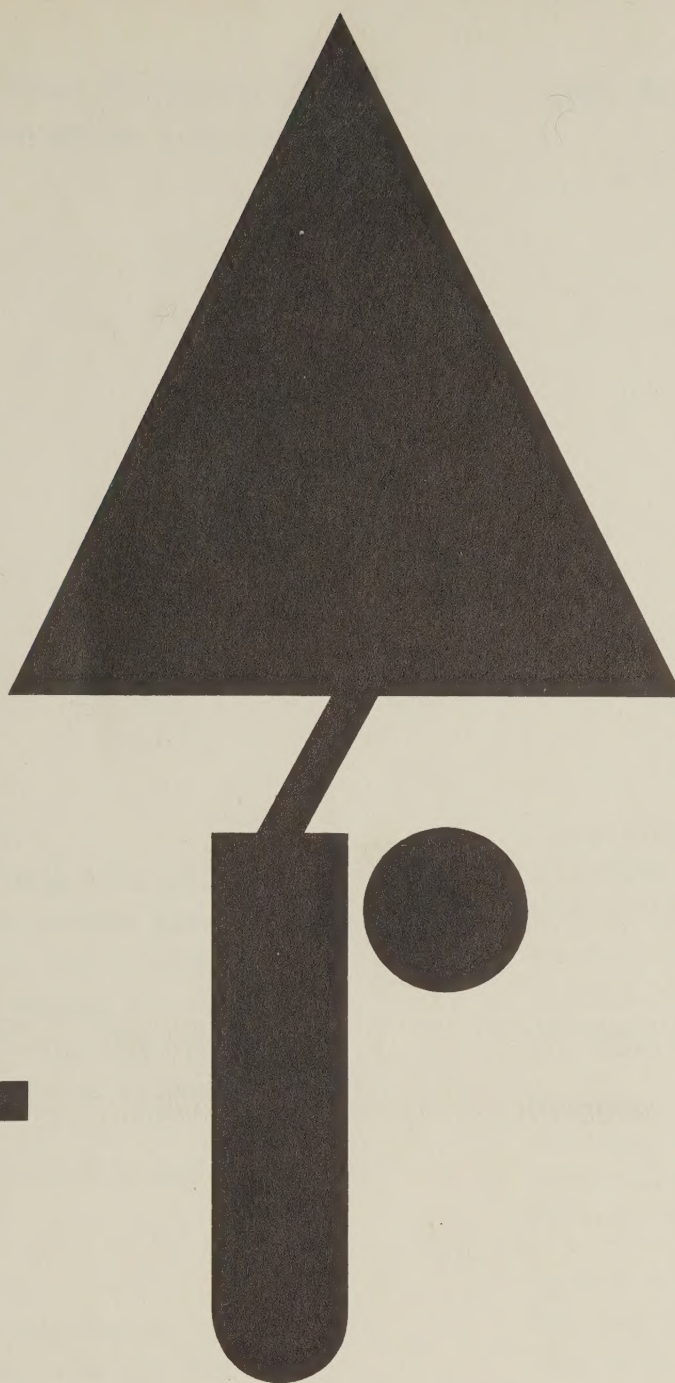


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Romfield annual report



1965

For the year ended
December 31, 1965

Romfield Building
Corporation Limited



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Officers:

D. Romberg, President
S. Z. Donnenfield, Executive Vice-President
G. Reiner, Vice-President
E. Donnenfield, Vice-President
B. C. Wheeler, Vice-President
C. M. Solomon, Secretary
G. Donnenfield, Treasurer
H. Romberg, Q.C., Asst. Sec.-Treas.

Directors:

D. Romberg, Toronto, Ont.
G. Reiner, New York, N.Y.
E. Donnenfield, Toronto, Ont.
B. C. Wheeler, New York, N.Y.
S. Z. Donnenfield, Toronto, Ont.
Irwin Singer, Toronto, Ont.
G. Donnenfield, Toronto, Ont.
H. Romberg, Q.C., Toronto, Ont.
H. L. Solomon, Toronto, Ont.
J. H. Gayne, Toronto, Ont.

Head Office:

333 Wilson Ave.
Downsview, Ontario

Montreal Office:
615 Dorchester Blvd. W.
Montreal, P.Q.

Auditors:

Wm. Eisenberg & Co.
Chartered Accountants
Toronto, Ontario

General Counsel:

Solomon, Singer & Solway
Toronto, Ontario

Registrar and Transfer Agents:
Guaranty Trust Co. of Canada
Toronto, Ontario

Liberty National Bank & Trust Company
Buffalo, N.Y.

Shares Listed:

Toronto Stock Exchange

Letter from the President

The past year, from mid-1965 onward, has been the most difficult year in decades for Canadian business. The full damaging effect of these difficulties is yet to be seen, in my opinion, and the Romfield organization has had its full share of troubles imposed upon it. However, I am pleased to report that the prudence displayed by your management in establishing a sound company, and the decisive action taken in the last year, have assured the future growth of the Romfield organization. I am convinced that when construction "rounds the corner", Romfield will be in a substantially improved competitive position.

To recapitulate briefly the events of the year, the collapse of the Atlantic Acceptance organization in June, 1965 resulted in a general tightening of financing arrangements throughout business. In ordinary circumstances, careful management and a modest restriction in expansionist policies would no doubt have been fully adequate in coping with the credit restrictions.

However, the difficulties were exaggerated by Federal Government and chartered bank action. First, Ottawa developed a fear that the economy was expanding too vigorously. To restrain this, Federal building projects were restricted, to relieve the demand for materials and manpower. Next, to try to curb the demand for money, the Bank of Canada raised the prime interest rate, which had the immediate effect of increasing all interest rates.

This increase in interest rates was implemented with great severity by the Canadian chartered banks, and was in fact tantamount to a refusal of credit. I am sure that those of you who have not had to deal directly with these institutions cannot imagine the arbitrary harshness of their actions.

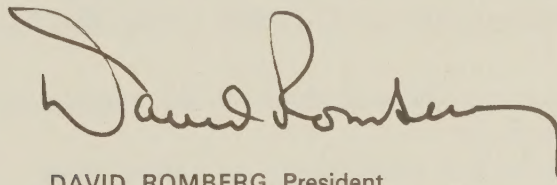
The overall effect has been virtually to paralyze building activities. To compensate for this, we have economized in the extreme, by cutting our overhead and payroll considerably, despite the hardships on our personnel. We have also begun negotiations to

sell certain properties in both Montreal and Toronto. The funds derived from these sales will, we fully expect, allow us to make a start on our Yorkdale project, for which all approvals have now been received.

We fully believe that this re-commencement of activity will mark our turning point. Also, we cannot

see that the "tight money" policies of the Federal Government and the chartered banks can be maintained much longer. When their restrictions are lessened, business in general will be able to resume plans for expansion, and we in particular will be able to progress further with projects, in addition to Yorkdale, which are now being held at a tentative planning stage.

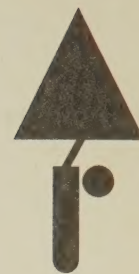
Submitted on behalf of the Board

A handwritten signature in dark ink, appearing to read "David Romberg", with a long, sweeping horizontal stroke extending to the right.

DAVID ROMBERG, President.

Toronto, Ontario, June 13, 1966.

Balance Sheet



ASSETS

	1965	1964
Accounts and mortgages receivable	\$ 1,990,862	\$ 3,530,669
Agreements for sale (Note 2)	2,452,000	1,526,500
Inventories (Note 3)		
—land under development and improved lots	3,570,889	2,884,445
—houses under construction and completed	208,659	376,020
—multiple dwelling units (Note 4)	9,238,415	8,529,972
Advances to Directors	5,950	(8,190)
Investments—market value of \$94,700 (1964—\$123,155)	118,757	134,767
Prepaid expenses and sundry assets	60,134	192,157
	<u>\$17,645,666</u>	<u>\$17,166,340</u>
Equipment and leasehold improvements—at cost less accumulated depreciation of \$119,952 (1964—\$91,691)	<u>\$ 244,939</u>	<u>\$ 248,829</u>
Excess of cost over book value of shares in the wholly-owned subsidiaries (Note 5)	637,318	837,318
Advances to affiliates and subsidiaries not consolidated	95,752	86,142
Participation in oil and gas leaseholds (approximately 20%) —at cost to date (Note 6)	201,570	201,570
Mining Properties and Equipment—as valued by the Board of Directors in 1932 with additions at cost and less amounts written off (Note 6)	749,730	749,730
Mining subsidiaries—shares and advances at cost less reserve for unpaid charges (Note 6)	199,963	199,573
	<u>1,884,333</u>	<u>2,074,333</u>
Total Assets	<u>\$19,774,938</u>	<u>\$19,489,502</u>

Approved on behalf of the Board: D. ROMBERG, Director
S. DONNENFIELD, Director

ROMFIELD BUILDING CORPORATION LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)
AND ITS WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1965

LIABILITIES

	1965	1964
Bank loans (secured) and overdrafts (net)	\$ 655,480	\$ 462,130
Accounts payable	2,698,360	3,657,139
Estimated costs to complete the development and construction projects sold (Note 2)	226,986	934,419
Income taxes payable (Notes 7 & 10)	353,153	129,870
Mortgages and loans payable (Note 8)		
—due within one year	3,385,484	2,685,219
—due after one year	8,437,668	7,572,996
Total Liabilities	<u>\$15,757,131</u>	<u>\$15,441,773</u>

SHAREHOLDERS' EQUITY

Capital Stock (Note 9)		
Authorized—3,000,000 shares without par value		
Issued—1,647,500 shares	\$ 2,157,700	\$ 2,157,700
Retained Earnings—per statement attached	1,860,107	1,890,029
	<u>4,017,807</u>	<u>4,047,729</u>
	<u>\$19,774,938</u>	<u>\$19,489,502</u>

(Contingent Liabilities — Notes 9 & 11)

The accompanying notes form an integral part of the consolidated financial statements.

1. Principles of Consolidation and Change of Name

The attached consolidated financial statements include the accounts of the wholly-owned subsidiaries operating in the construction industry under the name of Romfield Building Corporation. These have been consolidated with the Company's accounts based on statements prepared by other chartered accountants upon whose statements the Company has relied. All significant inter-company loans and transactions have been eliminated on consolidation.

To reflect more accurately the nature of its business, in 1964 the Company applied for, and was granted, Supplementary Letters Patent to change its name from "Buffalo Ankerite Holdings Limited" to "Romfield Building Corporation Limited".

The consolidated balance sheet and statements of earnings and retained earnings for the year ended December 31, 1964 are shown for comparative purposes only and should be read in conjunction with the notes to the consolidated financial statements in the annual report for that year.

2. Agreements for Sale

Sales of properties are taken into income at the date of acceptance of offers received. The costs to complete these properties, as estimated by management, are included under current liabilities.

3. Inventories

The company is continuing the policy of allocating, as a cost to each project, a proportion of the general and administrative overhead incurred. Accordingly, these properties are reflected on the balance sheet at cost plus direct carrying charges, such as realty taxes and interest, together with an appropriate proportion of general and administrative overhead.

4. Multiple Dwelling Units

The major portion of these buildings were constructed or under construction during the current year and no depreciation has been provided thereon in the accounts. However, for income tax purposes the company is deducting the maximum rates allowable. The values as shown on the consolidated balance sheet are at cost less accumulated depreciation of \$37,771 (1964 — \$26,595).

5. Excess of Cost over Book Value of Shares in the Wholly-Owned Subsidiaries

The Company has adopted a policy of making an annual charge

against retained earnings of part of this excess of cost over book value which arose on the purchase of these shares.

6. Oil and Gas Leaseholds, Mining Properties and Mining Subsidiaries

The amounts shown for these assets are not intended to reflect present or future values.

No provision has been made in these statements for the amortization of the oil and gas leaseholds in Texas and New Mexico. For income tax purposes, the Company will deduct the maximum amounts allowed.

During 1964, the contributed surplus of \$413,597 which arose from premiums received, less discount on shares while the Company was in the mining business, was written off against the book value of the mining properties.

The Company's three inactive mining subsidiaries have not been consolidated herein as their assets, consisting almost entirely of mining properties and deferred expenditures, do not reflect present or future values. Of these subsidiaries, one has in prior years accumulated losses of which the Company's proportion is \$74,031 which is not reflected in the Company's accounts.

7. Income Taxes

Taxable income has been reduced by approximately \$160,000 (1964 — \$75,000) because of the availability of losses carried forward from prior years.

Current income taxes of approximately \$45,500 (1964 — \$61,000) for the year, and of approximately \$152,500 to date, have been offset by claiming for tax purposes more depreciation than was recorded in the accounts. This amount may be applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts.

8. Mortgages and Loans Payable

Repayment dates of mortgages and loans on real estate are as follows:

1966	\$ 3,385,484
1967	1,635,215
1968	2,078,701
1969	114,335
1970	118,807
1971 and subsequent....	4,490,610
	<u>\$11,823,152</u>

Principal repayments are in accordance with the amortization terms of the mortgages and loans and do not reflect the prepayment of principal on sale of the respective properties.

9. Exchange and Investment Bank, Zurich, Switzerland

In 1963, the Company sold all its shares in the Bank at a loss and on the following terms inter alia:—

(a) the purchaser agreed to pay the 6% first floating charge debentures of \$300,000, payable \$100,000 (U.S. funds) annually on the 23rd day of January in each of the years 1965, 1966 and 1967, with interest from January 23, 1964. These debentures remain as a contingent liability of the Company, and a maximum of 60,000 shares without par value are reserved for their conversion on the basis of 20,000 shares for each \$100,000 principal amount of debentures outstanding. The 1965 payment was made by the purchaser. The purchaser has paid \$37,500 (U.S. funds) of the 1966 payment leaving \$62,500 (U.S. funds) to be paid by the vendor (see below).

(b) The vendor guaranteed the accounts receivable of the Bank up to \$125,000 until January 23, 1965, but is entitled to an assignment of any debts so paid. The Company paid \$62,500 (U.S. funds) under this guarantee in 1965 (which amount has been charged to retained earnings), but is attempting to collect the debts so paid and the remaining receivables. The balance of \$62,500 (U.S. funds) under the guarantee is being held pending collection of the remaining receivables (see above).

10. Long Term Leases

During 1964, the Company sold several of its multiple dwelling units on a "lease back" basis for a term of 15 years at a guaranteed annual rent payable by the Company of approximately \$322,000 plus municipal taxes, insurance and maintenance.

The Company was advised by tax counsel that the gain on the sales of these rental properties was, in their opinion, of a capital nature, and accordingly no provision for income taxes was deemed necessary.

11. Contingent Liabilities

These include the usual liabilities in the construction industry for the completion of contracts and the liabilities incurred in the ordinary course of business in dealing with land purchases.

AUDITORS' REPORT

To the Shareholders of
Romfield Building Corporation Limited:

We have examined the consolidated balance sheet of Romfield Building Corporation Limited as at December 31, 1965 and the consolidated statements of earnings and retained earnings for the year ended on that date. Our examination of the financial statements of Romfield Building Corporation Limited (the parent company) included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the subsidiaries.

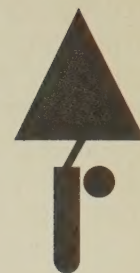
In our opinion the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings present fairly the financial position of the companies as at December 31, 1965 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying consolidated statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned consolidated financial statements, presents fairly the sources and applications of funds of the Company for the year ended December 31, 1965.

Toronto, Ontario.
June 10, 1966.

WM. EISENBERG & CO.
Chartered Accountants

Statement



EARNINGS

	1965	1964
Income		
Sales—residential houses and developed land (Note 2)	\$ 2,438,872	\$ 9,116,308
—multiple dwelling units (Note 10)	6,142,500	3,813,638
—oil and gas (net) (Note 6) and outside exploration	(6,796)	4,779
Rentals (Note 10)	739,059	526,296
Investments	3,223	5,428
	<u>\$ 9,316,858</u>	<u>\$13,466,449</u>
Expenses		
Cost of sales and administration expenses	\$ 8,220,544	\$12,462,407
Directors' fees	—	300
Interest on long term loans	603,478	173,698
Depreciation of fixed assets (Note 4)	28,261	54,295
	<u>\$ 8,852,283</u>	<u>\$12,690,700</u>
Net Profit before Income Taxes	\$ 464,575	\$ 775,749
Income Taxes (Notes 4, 6, 7 & 10)	233,701	131,070
Net Profit for the Year	<u>\$ 230,874</u>	<u>\$ 644,679</u>
Profit on Sales of Investments	—	487,170
Net Earnings—to Consolidated Statement of Retained Earnings	<u>\$ 230,874</u>	<u>\$ 1,131,849</u>

RETAINED EARNINGS

Balance at beginning of year	\$ 1,890,029	\$ 927,208
Add: Net profit for the year—from Consolidated Statement of Earnings	230,874	1,131,849
Profit from mine salvage operations for the year	6,648	(8,028)
	<u>\$ 2,127,551</u>	<u>\$ 2,051,029</u>
Deduct: Write-down of excess of cost over book value of shares in the wholly-owned subsidiaries (Note 5)	\$ 200,000	\$ 161,000
Prior year's adjustment—payment under guarantee on the sale of the shares of the Exchange and Investment Bank (Note 9)	67,444	—
	<u>267,444</u>	<u>161,000</u>
Balance at end of year—to Consolidated Balance Sheet	<u>\$ 1,860,107</u>	<u>\$ 1,890,029</u>

The accompanying notes form an integral part of the consolidated financial statements.

ROMFIELD BUILDING CORPORATION LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)
AND ITS WHOLLY-OWNED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS,
RETAINED EARNINGS AND
SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1965

Funds

SOURCE AND APPLICATION

Funds were provided from—

Net profit for the year	\$	230,874	
Non-cash expenses—depreciation (Note 4)		28,261	
		<u>259,135</u>	
Funds provided from operations	\$	259,135	
Mine salvage operations		6,648	\$ 265,783

Funds were applied to—

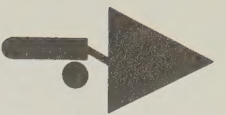
Additions to equipment and leasehold improvements	\$	24,371	
Payment under guarantee on sale of Bank shares (Note 9)		67,444	
Advances to affiliates and subsidiaries		10,000	101,815
		<u>101,815</u>	
Increase in Working Capital (see below)			<u>\$ 163,968</u>

Working Capital

As at December 31, 1965	\$	1,888,535
Less—December 31, 1964		1,724,567
		<u>163,968</u>
Increase in Working Capital (see above)	\$	<u>163,968</u>



ROMFIELD BUILDING CORPORATION LIMITED



ROMFIELD BUILDING CORPORATION LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual Meeting of the Shareholders of Romfield Building Corporation Limited will be held in the University Room, Park Plaza Hotel, Toronto, Ontario, on Thursday, the 7th day of July, 1966, at the hour of 11.00 o'clock in the forenoon (Toronto time) for the following purposes:

1. To receive and consider the Annual Report, the Financial Statements and the Report of the Auditors;
2. To elect Directors;
3. To appoint auditors and authorize the Directors to fix their remuneration;
4. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Copies of the aforementioned Reports and Financial Statements to be submitted to the meeting are enclosed herewith.

DATED at Toronto this 17th day of June, 1966.

By Order of the Board of Directors,

CARL M. SOLOMON,
Secretary.

Shareholders who are unable to attend the meeting in person are respectfully requested to date and sign the enclosed form of instrument of proxy and return it.

WHEN RETURNING PROXY PLEASE DETACH HERE—SIGN AND FOLD—SEAL AND MAIL

ROMFIELD BUILDING CORPORATION LIMITED

PROXY

I, the undersigned Shareholder of Romfield Building Corporation Limited do hereby appoint David Romberg, or failing him, Garson Reiner, or failing him, Samuel Donnenfeld, or failing him, as my proxy to attend, act and vote for me and on my behalf at the Annual Meeting of the Shareholders of the Company, to be held on Thursday, the 7th day of July, 1966, and at any adjournment thereof unless and until I am present in person thereat, and I hereby revoke any former instrument appointing a proxy for me at the said meeting or any adjournment thereof.

DATED this day of 1966.

Signature of Shareholder

The Globe & Mail,
140 King St. W.,
Toronto, Ont.

NOTE: If the appointer is a corporation, the instrument must be signed under its corporate seal or under the hand of an officer or attorney so authorized.

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BUSINESS REPLY CARD

NO POSTAGE STAMP NECESSARY IF MAILED IN CANADA

5c POSTAGE WILL BE PAID BY

The President

ROMFIELD BUILDING CORPORATION LIMITED

333 Wilson Avenue

DOWNSVIEW, ONTARIO



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